THIRUTHANGAL NADAR COLLEGE

(Belongs to the Chennaivazh Thiruthangal Hindu Nadar Uravinmurai Dharma Fund)
Selavayal, Chennai-51.
A Self-Financing Co-educational College of Arts & Science
Affiliated to the University of Madras
Accredited with 'B' Grade by NAAC
An ISO 9001: 2015 Certified Institution

NAME OF THE DEPARTMENT:- BBA
SUBJECT :- Financial Services
TOPIC :- Full Coverage
STAFF NAME :- PRABHAKARAN K

Financial Service

Financial services are the economic services provided by the finance industry, which encompasses a broad range of businesses that manage money, including credit unions, banks, credit-card companies, insurance companies, accountancy companies, consumer-finance companies, stock brokerages, investment funds, individual

Features of financial service

- Funds Intermediary
- Client Oriented
- Inseparable
- Avoids Fund Crisis
- Support Financial Transactions
- Facilitates Economic Development
- Enhance living Standards

Types of financial services

1. Banking
2. Professional Advisory
3. Wealth Management
4. Mutual Funds
5. Insurance
6. Stock Market
7. Treasury/Debt Instruments
8. Tax/Audit Consulting
9. Capital Restructuring

Players in financial services sector.

- Financial service sector comes under the tertiary sector in which banks play a major role.

- For the growth of financial services industry,

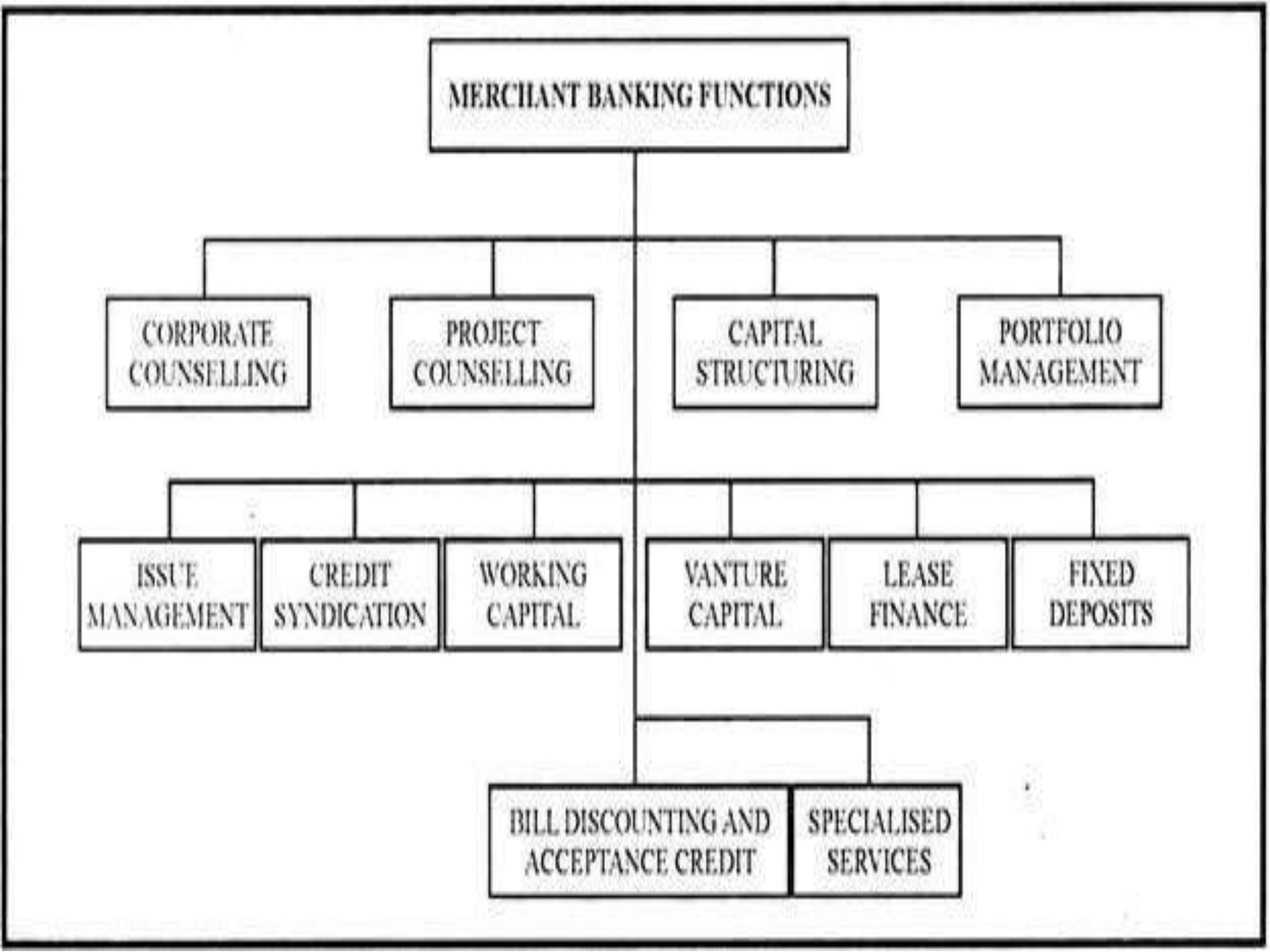
- Banks are led by the central bank of the country

- Followed by
  - commercial banks,
  - co-operative banks, development banks, foreign banks, etc.

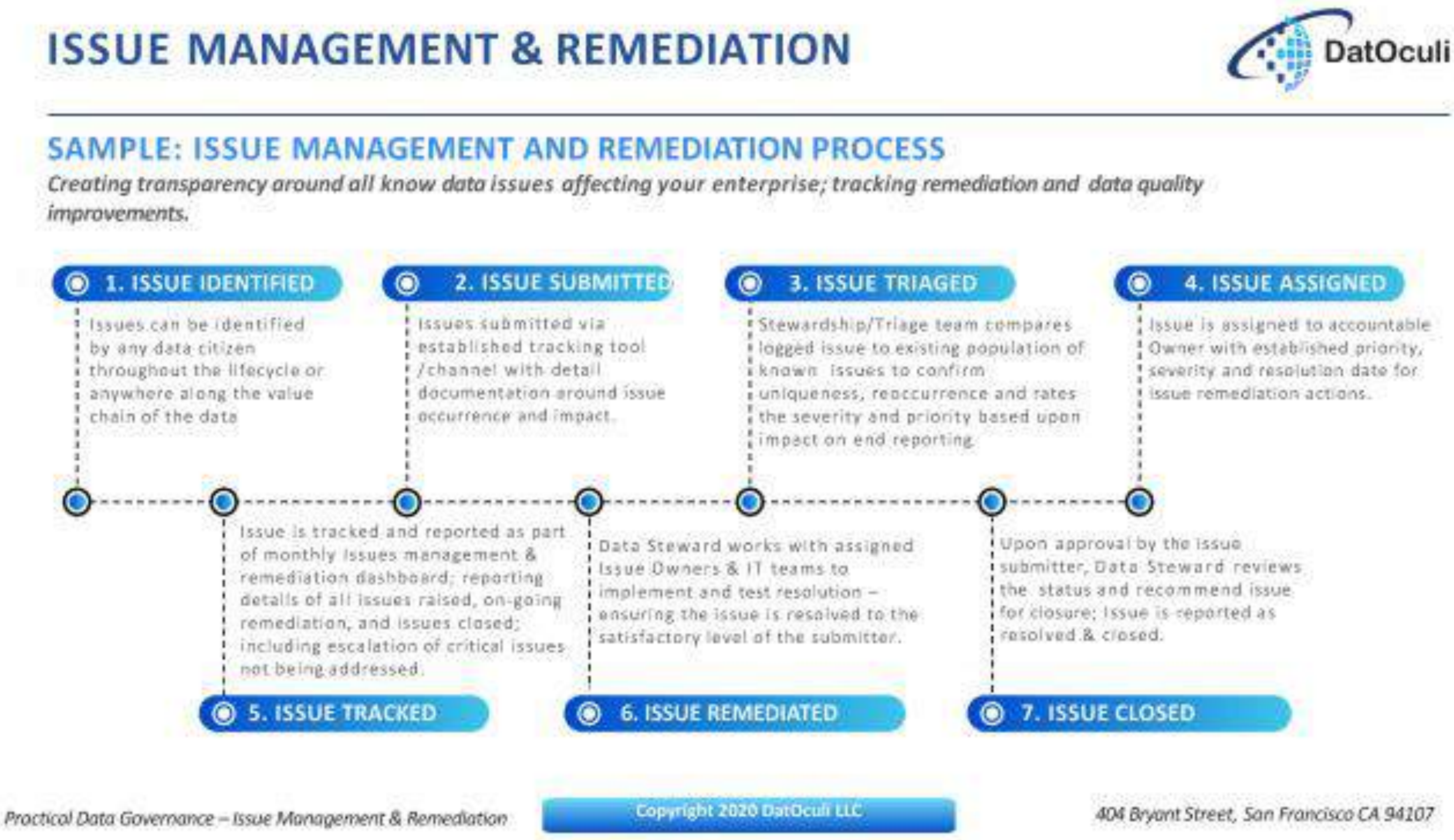
Merchant banking

Merchant banking is a combination of **banking** and consultancy services. It provides consultancy to its clients for financial, marketing, managerial and legal matters.

Consultancy means to provide advice, guidance and service. It helps a business person to start a business. It helps to raise (collect) helps finance .


MERCHANT BANKING FUNCTIONS
CORPORATE COUNSELLING
PROJECT COUNSELLING
CAPITAL STRUCTURING
PORTFOLIO MANAGEMENT
ISSUE MANAGEMENT
CREDIT SYNDICATION
WORKING CAPITAL
VANTURE CAPITAL
LEASE FINANCE
FIXED DEPOSITS
BILL DISCOUNTING AND ACCEPTANCE CREDIT
SPECIALISED SERVICES

Issue management refers to **managing** issues of corporate securities like equity shares, preference shares and debentures or bonds. It involves marketing of capital issues, of existing companies including rights issues and dilution of shares by letter of offer.



Pre & Post issue management:

Pre issue management is time bound programme and concerned with following:

1) Issue of shares

2) Marketing,Coordination and underwriting of the issue.

3) Pricing of issues

Post issue management is concerned with following:

1) Collection of application forms and amount received

2) Scrutinising application

3) Deciding allotment procedure

4) Mailing of share certificates/refund or allotment orders

STEPS OF ISSUE MANAGEMENT

A formal process for managing issues will ensure that the problems are identified and resolved as quickly and effectively as possible. Consider the following process as a way to formally manage these project issues.

- Solicit potential issues from any project stakeholder, including the project team, clients, sponsors, etc. The issue can be surfaced through verbal or written means, but it must be formally documented using an Issues Form.

  (This may seem a burden, but an issue must be formally defined before it can be communicated and resolved effectively. If an issue cannot be documented, there is no way it can be resolved.)

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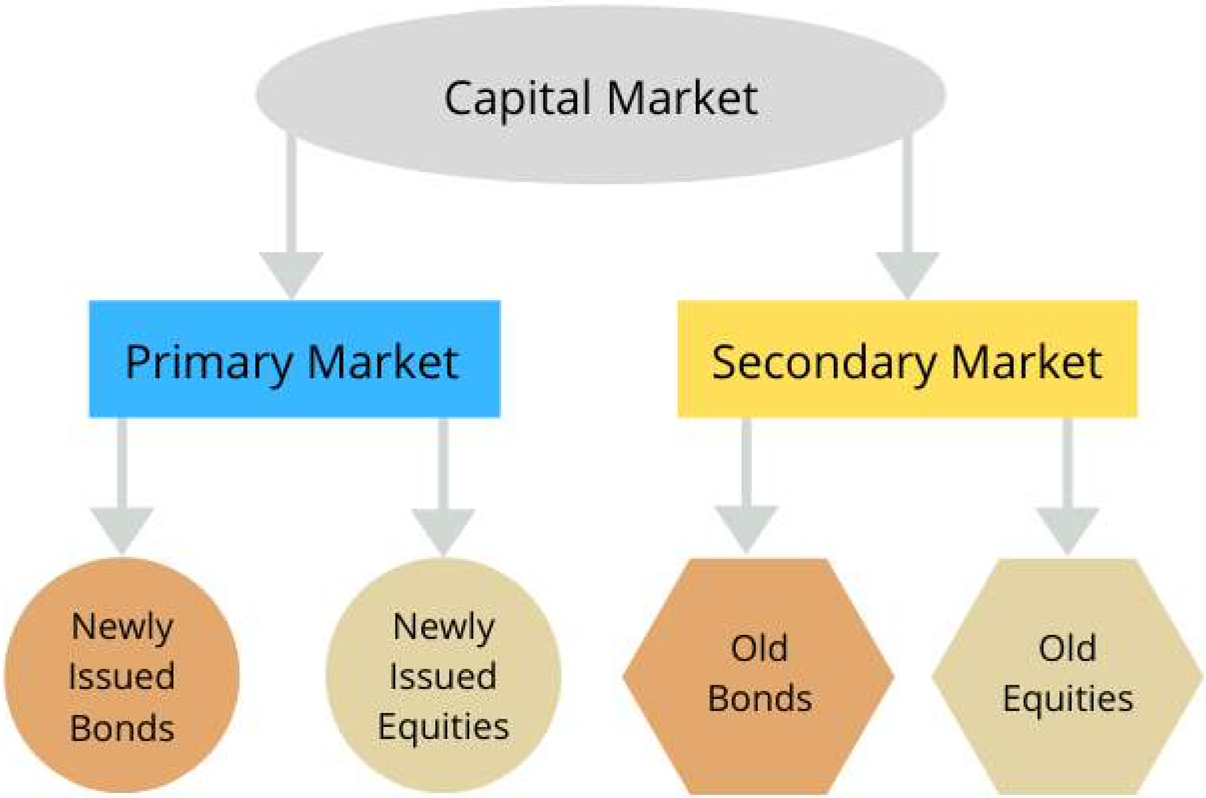
  The manager determines whether the problem can be resolved without outside help or whether it should be classified as a formal issue.

- Enter the issue into the Issues Log. The Issues Log contains one entry per issue and is used for tracking purposes.

Underwriting is the process through which an individual or institution takes on financial risk for a fee. This risk most typically involves loans, insurance, or investments.

Capital markets refer to the places where savings and investments are moved between suppliers of **capital** and those who are in need of **capital**. **Capital markets** consist of the primary market, where new securities are issued and sold, and the secondary market, where already-issued securities are traded between investors.



Functions of the Capital Market

- Helps in the movement of capital from the people who save money to the people who are in need of it.
- Assists in the financing of long term projects of the companies.
- Encourages investors to own the range of productive assets.
- Minimises the transaction cost.
- Helps in the faster valuation of financial securities like debentures and shares.
- Creates liquidity in the market by facilitating the trading of securities in the secondary market.
- Offers cover against price or market risks through the trading of derivative instruments.
- Helps in efficient capital allocation by way of competitive price mechanism.
- Helps in liquidity creation and regulation of funds.

Stock exchange

A **stock exchange**, securities exchange, or bourse is an exchange where stockbrokers and traders can buy and sell securities, such as shares of stock, bonds

SEBI

Role and functions of SEBI

1. **Protection of investor's interest:**
   Sebi has framed rules and regulations to protect the interest of the investors. Sebi guidelines require the listed companies to publish quarterly, half-yearly, yearly results of their financial performance. Such information helps the investors whether to hold on to their investment or to dispose their holdings.

2. **Guidelines on capital issue:**
   Sebi has framed necessary guidelines in connection with capital issues. These guidelines are applicable to:
   a) First public issue of new companies
   b) First public issue by existing privately and closely held companies
   c) Public issue by existing listed companies

3. **Regulate working of Mutual Funds:**
   Sebi has laid down rules and regulations that are to be followed by all Mutual Funds in India. Sebi may cancel the registration of mutual funds if it fails to comply with its regulations.

4. **Regulates Merchant Banking services:**
   Sebi has laid down regulation in respect of merchant banking activities in India. The regulations are in respect of registration, code of conduct to be followed, submission of half-yearly results etc. If these rules and regulations are not followed Sebi may cancel the registration of merchant banking services.

5. **Regulates Stock Brokers activities:**
   Sebi has laid down regulations in respect of brokers and sub-brokers. No broker or sub-broker can buy, sell or deal in securities without being a registered member of Sebi. Such registration enables Sebi to regulate stock brokers activities.

6. **Portfolio Management:**
   Sebi has enacted regulations to regulate the working of portfolio managers. It has laid down that no person or institution can operate as a portfolio managers, they have to follow relevant regulations laid down by Sebi. Sebi may cancel the registration of portfolio managers if they to comply with its regulations.

Lease financing

A **lease** is a contract outlining the terms under which one party agrees to rent property owned by another party. It guarantees the lessee, also known as the tenant, use of an asset and guarantees the lessor, the property owner or landlord, regular payments for a specified period in exchange.

Understanding a Lease

Leases are legal and binding contracts that set forth the terms of rental agreements in real estate and real and personal property. These contracts stipulate the duties of each party to effect and maintain the agreement and are enforceable by each. For example, a residential property lease includes the address of the property, landlord responsibilities, and tenant responsibilities, such as the rent amount, a required security deposit, rent due date, consequences for breach of contract, the duration of the lease, pet policies, and any other essential information.

LEASE FINANCING vs. HIRE PURCHASE

Point of Distinction	Lease Financing	Hire Purchase
Ownership of Asset	Lies with the lessor. Lessee has the right to use the equipment and does not have the option to purchase.	The hirer has the option to purchase the asset immediately after the last instalment is paid.
Depreciation	Claimed as the expense in the books	Allowed to the hirer.
Rental Payments	Covers the cost of asset	Instalment is inclusive of the principal and interest amount for the period of use.
Duration	Longer duration for bigger assets	Shorter duration and cheaper assets
Tax Impact	Total lease payments are shown as an expense by the lessee	Hirer claims the depreciation on the asset as an expense.
Repair and Maintenance	Responsibility of the lessee in the case of finance lease and of the lessor in case of operating lease	Responsibility lies with the hirer.
Extent of financing	It is a complete financing option in which no down payments are required	Normally an amount of margin money is required to be paid upfront by the hirer.

CONCEPT OF LEASING

- Lease finance denotes procurement of assets through lease. The subject of leasing falls in the category of finance.
- Leasing has grown as a big industry in the USA and UK and spread to other countries during the present century.
- In India, the concept was pioneered in 1973 when first leasing company was set up in Madras and the eighties have seen a rapid growth of business.

Features of Lease

- 2 Parties
- Selection of an asset
- Purchase of an asset
- Use of the asset
- Rentals and installments payment
- Recovering the cost of an asset.
- Option of acquiring ownership of the asset.

TYPES OF LEASES

Lease financing is an arrangement where the lessee who requires the equipment or machinery gets the finance from the lessor for the agreed rental payments. A certain variation in the elements of lease classifies lease into different types.

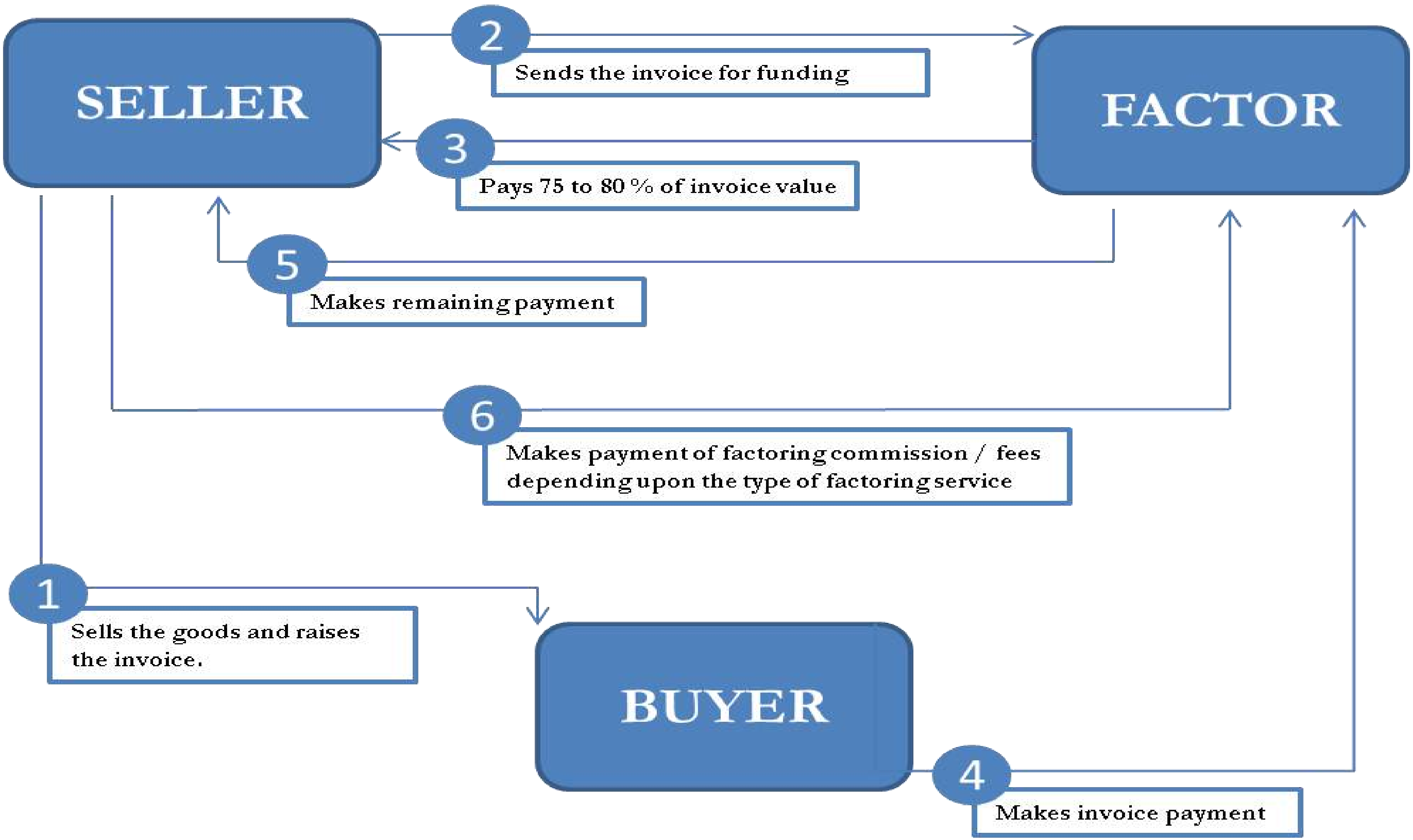
TYPES OF LEASES

FINANCE vs. OPERATING LEASE	✓ **Finance Lease** : Lessor transfers substantially all risks and rewards related to the asset to the lessee. ✓ **Operating Lease** : Risk and rewards are not transferred completely to the lessee.
SALE AND LEASE BACK vs. DIRECT LEASE	✓ **Sale and Lease Back** : Asset sold on advance agreement to lease it back for fixed lease rentals. Also called as Bipartitle lease. ✓ **Direct Lease** : A simple lease where the asset is either owned by the lessor or he acquires it. Also known as Tripartitle Lease.
SINGLE INVESTOR vs. LEVERED LEASE	✓ **Single Investor Lease** : Lessor arranges money to finance asset. Lender is entitled to recover from lessor only and not from lessee. ✓ **Levered Lease** : Equity is arranged by the lessor and debt is financed by the lender or financier.
DOMESTIC vs. INTERNATIONL LEASE	✓ **Domestic Lease** : All the parties to agreement resides in the same country. ✓ **International Lease** : Two Types – Import Lease and Cross Border Lease.

Factoring

Factoring is a financial transaction and a type of debtor finance in which a business sells its accounts receivable (i.e., invoices) to a third party (called a factor) at a discount. A business will sometimes factor its receivable assets to meet its present and immediate cash needs.

Factoring Process



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Financial services

Functions of a Factor

- The purchase of a book debts or receivables is central to the functions of factoring permitting the factor to provide the basic services such as;

1. Administration of seller's sales ledger
2. Collection of receivables purchased
3. Provision of finance
4. Protection against risk of bad debts / credit control and credit protection
5. Rendering advisory services by virtue of its experience in financial dealings with customers.

Venture capital

Venture capital (**VC**) is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. **Venture capital** generally comes from well-off investors, **investment** banks, and any other financial institutions.

Features of Venture Capital investments

- High Risk
- Lack of Liquidity
- Long term horizon
- Equity participation and capital gains
- Venture capital investments are made in innovative projects
- Suppliers of venture capital participate in the management of the company

Methods of Venture capital financing

- Equity
- participating debentures
- conditional loan

The venture capital funding process typically involves four phases in the company’s development:

- Idea generation
- Start-up
- Ramp up
- Exit

THANKING YOU